

COUNCIL OF THE CITY OF ABERDEEN
Resolution No. 14-R-02

Introduced By:

Mayor Michael E. Bennett

Date Introduced:

Date Adopted:

Date Effective:

RESOLUTION NO. 14-R-02

**A RESOLUTION OF THE CITY OF ABERDEEN FOR THE
PURPOSE OF ESTABLISHING A FUND BALANCE POLICY**

1 **WHEREAS**, the City of Aberdeen issues financial statements in accordance with
2 the United States Generally Accepted Accounting Principles (GAAP); and
3

4 **WHEREAS**, Statement Number 54 of the Governmental Accounting Standards
5 Board (GASB) requires that governments disclose their fund balance classification
6 policies and procedures in the notes to the financial statements; and
7

8 **WHEREAS**, the National Advisory Council on State and Local Budgeting
9 (NACSLB) and the Government Finance Officers Association recommend that all
10 governments develop a formal, written fund balance policy that is made publicly
11 available; and
12

13 **WHEREAS**, the Mayor and Council wish to adopt a Fund Balance Policy to
14 ensure that the City maintains an adequate fund balance and reserve to: provide
15 sufficient cash flow for daily financial needs; secure and maintain investment grade bond
16 ratings; offset significant economic downturns or revenue shortfalls; and, provide funds
17 for unforeseen expenditures related to emergencies.
18

19 **BE IT FURTHER RESOLVED** that the Mayor and Council of the City of
20 Aberdeen hereby adopts a Fund Balance Policy, in accordance with Statement
21 Number 54 of the Governmental Accounting Standards Board, attached hereto and
22 incorporated herein, marked **Exhibit A**.

23 **BE IT FURTHER RESOLVED**, that this Resolution shall take effect from the
24 date of its passage.

COUNCIL OF THE CITY OF ABERDEEN

Michael E. Bennett, Mayor

Ruth E. Elliott, Councilwoman

Bruce E. Garner, Councilman

Sandra J. Landbeck, Councilwoman

Ruth Ann Young, Councilwoman

ATTEST:

SEAL:

Monica A. Correll, City Clerk

Date

EXHIBIT A

CITY OF ABERDEEN FUND BALANCE POLICY

Policy Purpose

The purpose of this policy is to establish target levels of Unreserved Fund Balance for the general fund and to establish a process and criteria for the continued evaluation of those target levels as conditions dictate. The policy is created in consideration of unanticipated events that could adversely affect the financial condition of the City and impact the continuation of necessary public services. This policy will ensure that the City maintains adequate fund balance and reserve to:

1. Provide sufficient cash flow for daily financial needs
2. Secure and maintain investment grade bond ratings
3. Offset significant economic downturns or revenue shortfalls, and
4. Provide funds for unforeseen expenditures related to emergencies.

This policy applies only to the general fund.

Definitions

Fund Balance is the difference between the assets and liabilities of a governmental fund. Governmental fund balance is reported under the following classifications using the definitions provided by the Governmental Accounting Standards Board (GASB) Statement No. 54.

Non-spendable – resources which cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact.

Restricted – resources that can be used only for the specific purposes stipulated by external resource providers, such as creditors (through debt covenants), grantors, and contributors; or through constitutional provisions or enabling legislation such as charter or state law.

Committed – resources which are subject to limitations the government imposes upon itself at its highest level of decision making (City Council) and can only be reversed or changed through similar action by the City Council.

Assigned – resources that do not meet the criteria of restricted or committed, but the government has a stated intended use as established by the City Council or a body or official (management) to which the City Council has delegated the authority to assign amounts for specific purposes.

1 *Unassigned* – resources which cannot be properly classified in any of the other
2 categories. This is the fund balance that is available to address emergencies and other
3 contingencies and provide fiscal stability. It is the classification that is governed by this
4 Fund Balance Policy.

5
6 **Background and Considerations**

7 Fund balance is intended to serve as a measure of financial resources in a governmental
8 fund. The City's management, credit rating agencies, and others monitor the levels of
9 fund balance in the general fund as an important indicator of the City's economic
10 condition. The size of the fund balance is an important, but not the only consideration in
11 the City's rating. Other important factors are the reliability of a government's revenue
12 sources, economic conditions, community wealth factors, cash position, debt ratios,
13 management performance, and fiscal decisions made by the legislative body.

14
15 In establishing an appropriate level of fund balance the City considered the following
16 factors:

- 17
18 • Property Tax Base
19 • Non-property Tax Revenues
20 • Debt Profile
21 • Liquidity
22 • Budget Management
23 • Future Uses
24 • Employment Base
25

26 **Fund Balance Policy**

27 The City will maintain a minimum unassigned fund balance in the general fund of 15%
28 and a maximum of 50% of general fund revenues measured on a Generally Accepted
29 Accounting Principles (GAAP) basis.
30

31 A vote by the same margin of votes required for budget amendments will be needed for
32 the City Council to take action on an item that temporarily reduces the fund balance
33 below the minimum level. Such action shall be only for one-time expenditures, such as
34 capital purchases, and not for ongoing or routine expenditures except in extraordinary
35 circumstances and a viable plan designed to sustain the expenditures is simultaneously
36 adopted.
37

38 In the event that the unassigned fund balance drops below the established minimum
39 required balance, the City will replenish shortages/deficiencies through the annual
40 budgetary process, to replenish the balance to the target level over a period of no more
41 than five (5) fiscal years.
42

43 Should the unassigned fund balance ever exceed the maximum required balance, the City
44 will consider such surpluses for capital improvements and other one-time expenditures
45 that are nonrecurring in nature as identified by the City Council.

1 **Policy Administration**

2 The Finance Director shall be responsible for monitoring the fund balance levels.

3
4 If and when the unassigned fund balance falls below the minimum level or above the
5 maximum level, the Finance Director, in conjunction with the City Manager, and with the
6 approval of the Mayor, shall prepare a plan to restore the balance to the target level.

7
8 The City Manager, through the Mayor, shall be responsible for making recommendations
9 to the City Council on the use of unassigned funds both as an element of the annual
10 budget submission and throughout the year as needs arise.

11
12 The Finance Director shall be responsible for reporting the fund balance in the
13 appropriate classifications and make the appropriate disclosures in the City's financial
14 statements.